CHAPTER 5

CONCLUSION AND IMPLICATION

A. CONCLUSION

Based on the results of research on The Effects of Fraud Detection through Financial and Forensic Auditing on The Corruption Prevention and Eradication can be summarized as follows:

1. Audit quality has a significant effect on corruption prevention.
2. Audit quality has a significant effect on corruption eradication.
3. Accounting forensic profession has a significant effect on corruption prevention.
4. Accounting forensic profession has a significant effect on corruption eradication.

B. IMPLICATION

In order to increase the corruption prevention and corruption eradication, the auditors of Public Accounting Firm in Central Java and Special Region of Yogyakarta need to pay attention on audit quality and accounting forensic profession. The ways can be done by increase the audit skills and personal traits, working with a good audit partners and cooperation with professional staff, follow the blended training package to increase competency from a technical and soft skills standpoint, such as independence and ethics, applying professional judgment, skepticism and objectivity, ensure all engagement teams consistently apply the audit approach based on the accounting forensic profession. The need to understand the nature of corruption, the categories of corruption, and how each could be committed. This is more likely to help them identify possible opportunities for corruption. They also need to understand the scope of their responsibility in relation to corruption and the risk of ignoring it.

Audit regulators should clarify the role of external auditors with regards to corruption. This requires audit standards to clearly state that ‘‘auditors are responsible for detecting material misstatements due to corruption and that they are required to assess and respond to corruption risks.’’ Audit standards need to explain that corruption is not only a type of internal fraud that could have a material impact on the financial statements but also an illegal act. Audit regulators should provide guidance to external auditors on how to assess and respond to corruption risk. Examples of misstatements due to corruption and illegal acts that could have a material impact on the financial statements should also be provided.

From the above discussions, it is clear that involvement of forensic experts (accountants) in investigation as well as prosecution where the expert will serve as witness in court, is one of the challenges of the anti-corruption commission.

Forensic accounting can be used to prevent, detect and respond to harm caused by fraud. The lack of formal training schools in forensic accounting techniques has contributed to the high rate of financial fraud and other fraud related activities. Presently, forensic accounting courses to either her undergraduate or post-graduate students is still as a new subject to the some Universities in Indonesia. This research has shown that forensic accounting education would go a long way in helping the country in her fight against corruption. It is therefore recommended that forensic accounting techniques should constitute an aspect of the curriculum for the training of undergraduate accountants in order to increase the audit quality. Also, specialization in forensic accounting at the post-graduate level should be encouraged. This is to ensure that all hands is on deck to reduce, if not, to put an end to financial frauds in the country.

Related to the limitations within study, further researchers need to explore the other independent variables of corruption prevention and corruption eradication. Further researchers may extend the research model by using the mediator or moderator variable to analyze the indirect effect among variables, choose and add the number of respondents that in practically can be implemented the probability sampling method, needs to consider using the other methods of data collection, such as interview and observation. Furthermore, further researches need to develop wider study object to produce the better result more generally and objectively.

This research revealed that auditors are likely responsible for detecting material misstatements arising from corruption that would have a material impact on the financial statements. However this was not directly and clearly stated in audit standards but rather implied to audit quality. Audit standards also unjustifiably implied that corruption might not have an impact on the financial statements unlike other types of internal fraud such as asset misappropriation and financial reporting fraud. However, evidence from prior literature proved otherwise and showed how corruption could lead to misrepresentations in the financial statements. The findings also revealed that in the case of corruption scandals, auditors are likely to come under scrutiny. This was evident in some of the recent corruption scandals when external auditors in Public Accounting Firm failed to discover corrupt practices by their audited clients throughout the years of the audit. The public expects external auditors to at least identify opportunities for corruption when they exist. Ignoring corruption will negatively impact the reputation of Public Accounting Firm and will raise concerns about the value of external audits. The reason auditors should be worried about corruption is that a misstatement resulting from corruption may be more costly to the Public Accounting Firm and probably the entire profession than a misstatement caused by other factors such as in the case of error.

C. RESEARCH LIMITATION

There are several limitations of this study, are: independent variables or antecedent of corruption prevention and corruption eradication within study is limited to audit quality and accounting forensic profession variables. Secondly, the causal relationship model within study is limited to examine the direct effect of independent variables on its dependent variable. Additionally, sampling technique within study uses convenience sampling method as one of non-probability sampling types, so result of this study may have lack of generalizability to the other auditors of Public Accounting Firm.